Brian W. MacLean
President and Chief Operating Officer
Long-Term Financial Strategy

Create Shareholder Value

Objective: Mid-Teens ROE Over Time
Operating Return on Equity

- Long-term fixed net investment portfolio investment income less holding company interest expense
- Short-term fixed net investment portfolio investment income
- Non-fixed net investment portfolio investment income / (loss)
- Underwriting gain / (loss) and other

From January 1, 2005 through December 31, 2012, average annual operating ROE was approximately 12.8%
Travelers

Enterprise Key Differentiators

Product breadth and specialization

Leadership position with distribution

Industry leading data and analytics

Industry leading claim and risk control capabilities
Travelers Business Segments

2012 Net Written Premiums: $22.4 Billion

- **Business Insurance**: 53%
- **Personal Insurance**: 34%
- **Financial, Professional & International Insurance**: 13%
Business Insurance

2012 Net Written Premiums: $11.9 Billion

By Market

- National Accounts: 8%
- Target Risk Underwriting: 14%
- Specialized Distribution: 8%
- Industry-Focused Underwriting: 21%
- Select Accounts: 23%
- Commercial Accounts: 26%

By Product Line

- Workers’ Compensation: 29%
- General Liability: 15%
- Commercial Multi-Peril: 26%
- Commercial Property: 14%
- Commercial Automobile: 16%

Predominately a small to middle market insurer

**Industry-Focused Underwriting:** Construction, Technology, Public Sector Services, Oil & Gas, Agribusiness

**Target Risk Underwriting:** National Property, Inland Marine, Ocean Marine, Excess Casualty, Boiler & Machinery, Global Partner Services

**Specialized Distribution:** Northland, National Programs
Business Insurance  
(Ex. National Accounts)

Pricing

Renewal Pricing Results

- Renewal Premium Change (RPC)\(^1\) %
- Renewal Rate Change\(^2\) %
- Exposure/Other %

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q'11</th>
<th>2Q'11</th>
<th>3Q'11</th>
<th>4Q'11</th>
<th>1Q'12</th>
<th>2Q'12</th>
<th>3Q'12</th>
<th>4Q'12</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPC(^1)</td>
<td>(1.2%)</td>
<td>(4.5%)</td>
<td>(2.9%)</td>
<td>(0.1%)</td>
<td>2.0%</td>
<td>3.6%</td>
<td>5.3%</td>
<td>6.9%</td>
<td>8.0%</td>
<td>8.3%</td>
<td>9.0%</td>
<td>9.8%</td>
</tr>
<tr>
<td>New Business</td>
<td>$2,276</td>
<td>$2,139</td>
<td>$2,201</td>
<td>$2,226</td>
<td>$555</td>
<td>$533</td>
<td>$513</td>
<td>$429</td>
<td>$432</td>
<td>$457</td>
<td>$426</td>
<td>$439</td>
</tr>
</tbody>
</table>

Note:
1 Represents the estimated change in average premium on policies that renew, including rate and exposure changes.
2 Represents the estimated change in average premium on policies that renew, excluding exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Business Insurance

Comparison of an **Illustrative** Book of Business Written in 2010 & 2012

Combined ratio improvement from 2011 & 2012 renewal rate increases of approximately 3 points *(assuming 4% loss trend, ex. catastrophes)*

---However---

Return on allocated capital was essentially unchanged from 2010 due to increased catastrophe assumptions & the continued decline in investment yields

---

We remain committed to improving returns through a strategy of actively, but selectively seeking price increases
Business Insurance

Account by Account Underwriting

Long-Term Loss Ratio Bands\(^2\) – All Lines of Business

Achieving the right combination of rate and retention on the right accounts translates into increased profitability

---

1 Represents the estimated change in average premium on policies that renew, excluding exposure changes.
2 Represents average estimated ultimate loss ratio for individual accounts over time.
Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Business Insurance

Underlying GAAP Combined Ratio\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying loss &amp; loss adjustment ratio</th>
<th>Underwriting expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>59.7%</td>
<td>30.7%</td>
</tr>
<tr>
<td>2008</td>
<td>61.4%</td>
<td>32.5%</td>
</tr>
<tr>
<td>2009</td>
<td>61.6%</td>
<td>32.2%</td>
</tr>
<tr>
<td>2010</td>
<td>63.4%</td>
<td>32.2%</td>
</tr>
<tr>
<td>2011</td>
<td>66.3%</td>
<td>31.6%</td>
</tr>
<tr>
<td>2012</td>
<td>63.1%</td>
<td>31.5%</td>
</tr>
</tbody>
</table>

Impact of:
- Catastrophe losses
  - 2007: -
  - 2008: 6.3 pts
  - 2009: 1.6 pts
  - 2010: 4.1 pts
  - 2011: 9.0 pts
  - 2012: 6.8 pts
- Net favorable prior year reserve development
  - 2007: (2.6) pts
  - 2008: (10.0) pts
  - 2009: (9.3) pts
  - 2010: (8.4) pts
  - 2011: (2.2) pts
  - 2012: (4.0) pts

GAAP Combined Ratio
- 2007: 87.8%
- 2008: 90.2%
- 2009: 86.1%
- 2010: 91.3%
- 2011: 104.7%
- 2012: 97.4%

Pricing strategy driving margin improvement

\(^1\)Excludes catastrophe losses and net favorable prior year reserve development.
Financial, Professional & International Insurance (FP&II)

2012 Net Written Premiums: $3.0 Billion

- **Bond & Financial Products**: 63%
  - Management Liability: $1.2 Billion
  - Surety: $0.7 Billion
- **International**: 37%
  - Operations
  - Syndicate 5000
  - Lloyds
FP&II: *Bond & Financial Products*

2012 Net Written Premiums: $1.9 Billion

Diversified risk profile / Largest writer of surety in U.S.

1 Traditional property casualty business, which is sold through the Financial Institutions unit
FP&II: Bond & Financial Products

Pricing

Management Liability: Renewal Pricing Results

- **Renewal Premium Change (RPC)**: 1%
- **Renewal Rate Change**: 2%
- **Exposure/Other %**:

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention</th>
<th>RPC¹</th>
<th>New Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>83%</td>
<td>1.8%</td>
<td>$212</td>
</tr>
<tr>
<td>2008</td>
<td>84%</td>
<td>(0.1%)</td>
<td>$205</td>
</tr>
<tr>
<td>2009</td>
<td>82%</td>
<td>1.7%</td>
<td>$184</td>
</tr>
<tr>
<td>2010</td>
<td>83%</td>
<td>(1.3%)</td>
<td>$156</td>
</tr>
<tr>
<td>1Q'11</td>
<td>84%</td>
<td>-</td>
<td>$41</td>
</tr>
<tr>
<td>2Q'11</td>
<td>85%</td>
<td>0.3%</td>
<td>$46</td>
</tr>
<tr>
<td>3Q'11</td>
<td>87%</td>
<td>0.7%</td>
<td>$46</td>
</tr>
<tr>
<td>4Q'11</td>
<td>85%</td>
<td>1.4%</td>
<td>$42</td>
</tr>
<tr>
<td>1Q'12</td>
<td>87%</td>
<td>4.2%</td>
<td>$44</td>
</tr>
<tr>
<td>2Q'12</td>
<td>86%</td>
<td>4.9%</td>
<td>$47</td>
</tr>
<tr>
<td>3Q'12</td>
<td>85%</td>
<td>6.0%</td>
<td>$36</td>
</tr>
<tr>
<td>4Q'12</td>
<td>85%</td>
<td>6.3%</td>
<td>$35</td>
</tr>
</tbody>
</table>

*(in millions)*

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.
² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
FP&II: Bond & Financial Products

Business Unit within Management Liability
Retention and Renewal Rate by Prospective ROAC Tier

Retention Rate

Renewal Rate Change¹

Return on Allocated Capital Bands²

New analytics driving improved execution

¹ Represents the estimated change in average premium on policies that renew, excluding exposure changes.
² Prospective economic returns based on currently underwritten policies and related investment income. Not equivalent to GAAP return on equity.
Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
FP&II: International

2012 Net Written Premiums: $1.1 Billion

- **24%**
  - Major Lines of Business:
    - Business Insurance – Middle Market
    - Professional Risks
    - Surety

- **42%**
  - Principal Business Units:
    - Marine
    - Global Property
    - Accident & Special Risk
    - Power & Utilities
    - Aviation

- **34%**
  - Major Lines of Business:
    - Business Insurance – Middle Market
    - Professional Risks

Joint Venture: 49.5% interest in J. Malucelli Participações em Seguros e Resseguros S.A

J. Malucelli is the market leader in surety in Brazil based on market share
Financial, Professional & International Insurance

Underlying GAAP Combined Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying loss &amp; loss adjustment ratio</th>
<th>Underwriting expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>90.3% (53.5%)</td>
<td>36.8%</td>
</tr>
<tr>
<td>2008</td>
<td>92.7% (56.7%)</td>
<td>36.0%</td>
</tr>
<tr>
<td>2009</td>
<td>93.1% (57.1%)</td>
<td>36.0%</td>
</tr>
<tr>
<td>2010</td>
<td>93.1% (56.3%)</td>
<td>36.8%</td>
</tr>
<tr>
<td>2011</td>
<td>95.4% (56.0%)</td>
<td>39.4%</td>
</tr>
<tr>
<td>2012</td>
<td>92.2% (50.9%)</td>
<td>41.3%</td>
</tr>
</tbody>
</table>

Impact of:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophe losses</td>
<td>-</td>
<td>2.5 pts</td>
<td>0.1 pts</td>
<td>2.4 pts</td>
<td>1.7 pts</td>
<td>1.7 pts</td>
</tr>
<tr>
<td>Net favorable prior year reserve development</td>
<td>(2.7) pts</td>
<td>(8.0) pts</td>
<td>(5.1) pts</td>
<td>(7.8) pts</td>
<td>(11.3) pts</td>
<td>(9.8) pts</td>
</tr>
<tr>
<td>GAAP Combined Ratio</td>
<td>87.6%</td>
<td>87.2%</td>
<td>88.1%</td>
<td>87.7%</td>
<td>85.8%</td>
<td>84.1%</td>
</tr>
</tbody>
</table>

Improvement of FP&II loss ratio aided by de-risking of International’s portfolio

1Excludes catastrophe losses and net favorable prior year reserve development.
Personal Insurance

2012 Net Written Premiums: $7.6 Billion

Third-largest writer of U.S. personal insurance through independent agents\(^1\)

\(^1\)Source: SNL Statutory Filings. Based on 2011 Direct Written Premium.
Personal Insurance: *Agency Automobile*\(^1\)

### Pricing

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q'11</th>
<th>2Q'11</th>
<th>3Q'11</th>
<th>4Q'11</th>
<th>1Q'12</th>
<th>2Q'12</th>
<th>3Q'12</th>
<th>4Q'12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>83%</td>
<td>82%</td>
<td>81%</td>
<td>83%</td>
<td>83%</td>
<td>83%</td>
<td>83%</td>
<td>83%</td>
<td>82%</td>
<td>81%</td>
<td>80%</td>
<td>81%</td>
</tr>
<tr>
<td>RPC(^2)</td>
<td>2.3%</td>
<td>2.1%</td>
<td>3.9%</td>
<td>2.3%</td>
<td>2.9%</td>
<td>3.4%</td>
<td>3.8%</td>
<td>4.1%</td>
<td>5.8%</td>
<td>6.9%</td>
<td>8.3%</td>
<td>9.1%</td>
</tr>
<tr>
<td>New Business</td>
<td>$690</td>
<td>$750</td>
<td>$628</td>
<td>$763</td>
<td>$171</td>
<td>$166</td>
<td>$161</td>
<td>$142</td>
<td>$135</td>
<td>$107</td>
<td>$103</td>
<td>$85</td>
</tr>
</tbody>
</table>

\(^1\)Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.

\(^2\)Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

\(^3\)The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Automobile Industry Observations

Loss Trends

Favorable frequency trends experienced in mid/late 2000s have leveled off while severity has continued to rise

Source: ISO Fast Track - Industry Calendar Month Paid 12MM
Personal Insurance: *Agency Automobile*  
Underlying GAAP Combined Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying loss &amp; loss adjustment ratio</th>
<th>Underwriting expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>94.3% (68.2%)</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>97.3% (69.8%)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>97.7% (70.9%)</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>96.5% (69.8%)</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>99.5% (73.4%)</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>99.2% (73.5%)</td>
<td></td>
</tr>
</tbody>
</table>

**Impact of:**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophe losses</td>
<td>0.1 pts</td>
<td>0.5 pts</td>
<td>0.7 pts</td>
<td>0.8 pts</td>
<td>2.5 pts</td>
<td>3.3 pts</td>
</tr>
<tr>
<td>Net (fav.) / unfav. prior year reserve development</td>
<td>(3.0) pts</td>
<td>0.2 pts</td>
<td>0.3 pts</td>
<td>(0.3) pts</td>
<td>1.4 pts</td>
<td>0.6 pts</td>
</tr>
</tbody>
</table>

**GAAP Combined Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>GAAP Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>91.4%</td>
</tr>
<tr>
<td>2008</td>
<td>98.0%</td>
</tr>
<tr>
<td>2009</td>
<td>98.7%</td>
</tr>
<tr>
<td>2010</td>
<td>97.0%</td>
</tr>
<tr>
<td>2011</td>
<td>103.4%</td>
</tr>
<tr>
<td>2012</td>
<td>103.1%</td>
</tr>
</tbody>
</table>

Anticipate improving margins as rate gains are now exceeding current view of loss trend

---

1Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.
2Excludes catastrophe losses and prior year reserve development.
Personal Insurance: Agency Homeowners & Other

**Pricing**

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention 3</th>
<th>RPC 2</th>
<th>New Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>86%</td>
<td>8.6%</td>
<td>$433</td>
</tr>
<tr>
<td>2008</td>
<td>86%</td>
<td>6.0%</td>
<td>$458</td>
</tr>
<tr>
<td>2009</td>
<td>85%</td>
<td>7.1%</td>
<td>$486</td>
</tr>
<tr>
<td>2010</td>
<td>86%</td>
<td>7.7%</td>
<td>$506</td>
</tr>
<tr>
<td>1Q'11</td>
<td>86%</td>
<td>8.6%</td>
<td>$100</td>
</tr>
<tr>
<td>2Q'11</td>
<td>86%</td>
<td>8.4%</td>
<td>$118</td>
</tr>
<tr>
<td>3Q'11</td>
<td>86%</td>
<td>8.0%</td>
<td>$120</td>
</tr>
<tr>
<td>4Q'11</td>
<td>86%</td>
<td>8.2%</td>
<td>$99</td>
</tr>
<tr>
<td>1Q'12</td>
<td>85%</td>
<td>9.5%</td>
<td>$78</td>
</tr>
<tr>
<td>2Q'12</td>
<td>84%</td>
<td>10.8%</td>
<td>$74</td>
</tr>
<tr>
<td>3Q'12</td>
<td>84%</td>
<td>12.1%</td>
<td>$69</td>
</tr>
<tr>
<td>4Q'12</td>
<td>84%</td>
<td>13.2%</td>
<td>$51</td>
</tr>
</tbody>
</table>

1Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.
2Represents the estimated change in average premium on policies that renew, including rate and exposure changes.
3The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Given the ongoing volatility of weather patterns, we will continue to seek improved pricing, terms and conditions within Homeowners.

Note: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.
# Personal Insurance

## Homeowners Initiatives

<table>
<thead>
<tr>
<th>TRV Actions Implemented Since October 2011</th>
<th>States Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate up 10% or more</td>
<td>27</td>
</tr>
<tr>
<td>Rate up between 5% &amp; 10%</td>
<td>13</td>
</tr>
<tr>
<td>Risk sharing provisions modified</td>
<td>45</td>
</tr>
<tr>
<td>Underwriting guidelines changes</td>
<td>45</td>
</tr>
<tr>
<td>Roof inspections</td>
<td>21</td>
</tr>
<tr>
<td>Age of roof rating</td>
<td>3</td>
</tr>
<tr>
<td>Notice of loss limitations</td>
<td>29</td>
</tr>
</tbody>
</table>
Personal Insurance: Agency Homeowners & Other

Underlying GAAP Combined Ratio

Impact of:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophe losses</td>
<td>5.1 pts</td>
<td>18.4 pts</td>
<td>7.4 pts</td>
<td>15.5 pts</td>
<td>36.1 pts</td>
<td>22.7 pts</td>
</tr>
<tr>
<td>Net favorable prior year reserve development</td>
<td>(1.3) pts</td>
<td>(4.7) pts</td>
<td>(4.3) pts</td>
<td>(2.1) pts</td>
<td>(4.4) pts</td>
<td>(5.0) pts</td>
</tr>
<tr>
<td>GAAP Combined Ratio</td>
<td>81.4%</td>
<td>94.7%</td>
<td>86.8%</td>
<td>95.1%</td>
<td>118.4%</td>
<td>96.4%</td>
</tr>
</tbody>
</table>

Measurable underlying margin improvement

1Represents business sold through agents, brokers and other intermediaries and excludes direct to consumer.

2Excludes catastrophe losses and net favorable prior year reserve development.
Long-Term Financial Strategy

Create Shareholder Value
Objective: Mid-Teens ROE Over Time
Explanatory Note

This presentation contains, and management may make, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates” and similar expressions are used to identify these forward-looking statements. Examples of our forward-looking statements include statements relating to our future financial condition and operating results, our share repurchase plans, potential margins, the sufficiency of our reserves and our strategic initiatives, among others.

We caution investors that such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following:

- Catastrophe losses;
- Financial market disruption or economic downturn;
- Changes to our claims and claim adjustment expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in our business operations and investment activities;
- The federal, state and international regulatory environment;
- A downgrade in our claims-paying and financial strength ratings;
- The inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts;
- Disruptions to our relationships with our independent agents and brokers;
- Risks associated with developing new products or expanding in targeted markets;
- A reduction in the U.S. federal corporate income tax rate that adversely affects any net deferred tax assets we may have;
- Other changes in tax laws that adversely impact our investment portfolio or operating results;
- Risks associated with our use of pricing and capital models;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data security and/or outsourcing relationships;
- Risks associated with our business outside of the United States, including regulatory risks;
- Risks associated with acquisitions;
- Changes to existing accounting standards;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Losses of or restrictions placed on the use of credit scoring in the pricing and underwriting of Personal Insurance products; and
- Factors impacting the operation of our repurchase plans.

For a more detailed discussion of these factors, see the information under "Risk Factors" and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Our forward-looking statements speak only as of the date of this presentation or as of the date they are made, and we undertake no obligation to update those statements.
In this presentation, we may refer to some non-GAAP financial measures. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the press releases and financial supplements that we have made available in connection with our earnings releases and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission. See the “For Investors” section at Travelers.com.

For further information, please see Travelers reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC’s website (www.sec.gov).

Copies of this presentation and the accompanying webcast are publicly available on the Travelers website (www.travelers.com). This presentation should be read with the accompanying webcast.

From time to time, Travelers may use its website as a channel of distribution of material company information. Financial and other material information regarding the company is routinely posted on and accessible at http://investor.travelers.com. In addition, you may automatically receive email alerts and other information about Travelers by enrolling your email by visiting the “E-mail Alert Service” section at http://investor.travelers.com.